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No. 94-668

In The
Supreme Court of the United States
October Term, 1994

ROBERT L. MENDENHALL AND
CMI CORPORATION,

Petitioners.

v.

ASTEC INDUSTRIES, INC. AND
BARBER-GREENE COMPANY,

Respondents.

Petition For A Writ Of Certiorari To The United States Court of Appeals For The Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTION PRESENTED FOR REVIEW

Pursuant to Rule 15.1 of the Supreme Court Rules, Respondents inform the Court that they disagree that the question presented for review in the Petition accurately describes the real legal issue on which the Petition is based, for the following reasons:

1. The Petitioners have consciously mischaracterized the subject infringement judgments against Respondents as "final judgments" when, in vacating the judgments, the Federal Circuit specifically found them to be "non-final" decisions in cases which were still pending at the time the subject patents were held invalid in another case.

2. Whether there was a "final judgment" on the issue of liability in the cases against Respondents has no bearing on the application of defensive collateral estoppel.

3. Nothing in this Court's decision in *Blonder-Tongue* indicates that the *timing* of the decision giving rise to estoppel is critical or that the plea of that defense cannot thereafter be timely made *at any stage* of the affected proceedings.

For these reasons, Respondents suggest that the real question presented for review in this case is as follows:

Whether the Federal Circuit properly applied *Blonder-Tongue* collateral estoppel to vacate judgments awarded to Petitioners against Respondents on patents that were adjudicated to be invalid in a final judgment entered in other litigation prior to the conclusion of proceedings in this case?

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STATEMENT OF THE CASE

Respondents Astec Industries, Inc. ("Astec") and Barber-Greene Company ("Barber-Greene") are dissatisfied with the statement of the case presented by Petitioners Robert L. Mendenhall and CMI Corporation (collectively referred to as "CMI"), and therefore submit the following statement in accordance with Rule 24.2, to correct inaccuracies and omissions in CMI's statement.

The two patents in issue no longer exist because they were held invalid by the trial court in other litigation; that decision was affirmed by the Federal Circuit, and this Court declined to review it.[1] All of this occurred before the Federal Circuit completed its review of the damages judgment against Astec and the liability and damages judgments against Barber-Greene.

The question of whether Mr. Mendenhall in fact "invented" a new asphalt plant and a method of using RAP to make asphalt paving was vigorously contested by the Respondents at trial, but the courts have now conclusively established that his "invention" failed to meet the congressionally imposed criteria for patentability and that the two patents should never have been issued to him.

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[1] This Court in *Mendenhall v. Cedarapids, Inc.*, ___ U.S. ___, 114 S. Ct. 1540 (April 18, 1994), recently denied CMI's petition to issue a writ of certiorari to the United States Court of Appeals for the Federal Circuit, which entered judgment that all of the claims of both patents are invalid.

In a desperate last ditch effort to create the appearance of an issue worthy of review under Supreme Court Rule 10, CMI has again chosen to misrepresent the facts giving rise to Astec's Federal Circuit appeal of the adverse liability judgment rendered by the Tennessee district court. Astec's appeal on *December 16, 1988* was expressly taken from the Tennessee district court's *October 31, 1988* judgment as modified by its December 13, 1988 Orders, and not, as represented by CMI, from the district court's purported Rule 54(b) certification entered over one month later on January 26, 1989. In its Order On Petition For Rehearing, the Federal Circuit decisively rejected CMI's flatly erroneous version of the facts by amending footnote 11 of its original decision, stating:

> Contrary to Mendenhall's arguments, the Astec appeal on December 16, 1988, was taken as of right under the above statute [28 U.S.C. 1292(c)(2)]. The subsequent order of the district court entered January 26, 1989, purportedly certifying the case for appeal under FRCP 54(b) was superfluous, if not void. See *Sears Roebuck & Co. v. Mackey*, 351 U.S. 427, 435 (1936). That order did not provide the basis for this court's jurisdiction over an appeal already properly before us.

(Pet. App. at A.33–34) The mere fact that CMI felt compelled to reassert its fictional version of the facts that Astec appealed from the purported Rule 54(b) certification of January 26, 1989 — a version explicitly rejected by the Federal Circuit — is itself sufficient proof of the weakness of CMI's arguments, and casts serious doubt on CMI's credibility.

SUMMARY OF THE ARGUMENT

CMI's Petition fails to meet any of the requirements of Supreme Court Rule 10 for granting certiorari. There are no considerations involving state court decisions because this is an action arising under Title 35 of the United States Code, jurisdiction over which resides exclusively in the federal courts. There is no conflict between the decision of the Court of Appeals for the Federal Circuit and that of any other court of appeals. There is no departure by the Federal Circuit from any accepted or usual course of judicial proceeding, nor did the court sanction any such departure by a lower court, so as to call for an exercise of this Court's power of supervision. Nor does Petitioner contend that the Federal Circuit has decided an important question of federal law which has not been, but should be, settled by this court. Instead, Petitioners' sole contention is that the Federal Circuit has decided a federal question in a way that conflicts with applicable decisions of this Court. In making even that limited argument, Petitioners unbelievably mischaracterize this Court's highlighted past decision in order to give the appearance of a conflict. It should therefore come as no surprise that each of CMI's arguments have twice been considered and rejected by the Federal Circuit.

A. CMI's lead argument that the Federal Circuit's decision will stifle the enforcement of valid patents rings hollow. Application of defensive collateral estoppel will not in any way take away *legitimate* enforcement rights; a patentee will be precluded from recovery *only if its patent is invalid*. The overriding public policy of ensuring that ideas

not protected by valid patents be dedicated to the common good disfavors CMI as it did the owners of invalid patents in *Lear, Inc. v. Adkins*, 395 U.S. 653, 162 USPQ 1 (1969), and *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971). If a patent is in fact found invalid after full and fair litigation, justice is best served by bringing that invalidity decision to bear in all other pending cases not finally concluded.

B. Whether or not Astec and Barber-Greene had a full and fair opportunity to litigate the issue of validity and lost is immaterial to invoking *Blonder-Tongue* estoppel on appeal. What is *dispositive* is that *CMI* had a full and fair opportunity to litigate the issue of validity and infringement of its two patents in the *Cedarapids* case which resulted in invalidity judgments of both patents. The Federal Circuit affirmed those judgments, and this Court denied review. As eloquently stated by the panel majority in the Federal Circuit's thorough and well reasoned decision:

> For this court to affirm the findings of infringement and the willfulness of conduct against one appellant, increased damages against the other, and uphold injunctions against both, appears *anomalous in the extreme in connection with patents this court has just held invalid*.

(Pet. App. at A.9) (emphasis added). The Federal Circuit's decision is in perfect harmony with the principles set forth over two decades ago in this Court's opinion in *Blonder-Tongue*.

C. The defense of collateral estoppel clearly would have been available to Astec and Barber-Greene had their cases been stayed until the *Cedarapids* case proceeded to its ultimate judgment holding the patents wholly invalid. Instead, the *Cedarapids* case was stayed (as were CMI's cases against Bituma and Standard Havens) while the cases against Astec and Barber-Greene proceeded. The stay in *Cedarapids* assured that the Astec liability judgment would be reviewed by the Federal Circuit, and the damages issues tried, before the *Cedarapids* case reached judgment. Consequently, the invalidity judgment in *Cedarapids* was entered just prior to entry of the trial court's damages judgment in the *Astec* suit and only after appeal to this Court in *Barber-Greene*. (Pet. App. at A.9) The Federal Circuit recognized that it would be unjust to prevent Astec and Barber-Greene from employing collateral estoppel here, while making collateral estoppel available to its competitors in the industry, when the only distinction between Astec and Barber-Greene and those competitors is that the competitors had the good fortune to have their cases stayed.

D. The liability judgment that Astec appealed from was not a "final judgment." Astec appealed from the district court's *October 31, 1988 judgment*, *not* the January 26, 1989 purported Rule 54(b) certification. Consequently, Astec's appeal fell squarely within and was taken as of right under 28 U.S.C. §1292(c)(2) which governs appeals from "Interlocutory Decisions." A judgment that leaves more to do in the case than simply execute the judgment is not "final" and, therefore, there is no "final judgment" in this case, and thus collateral estoppel was correctly applied.

ARGUMENT

A. The Federal Circuit's Reasoned Decision Promotes the Overriding Public Policy of Ensuring That Ideas Not Protected by Valid Patents Are Dedicated to the Common Good and Free for All to Use

CMI's policy argument that the Federal Circuit's decision will stifle the enforcement of valid patents rings hollow. The Federal Circuit's application of defensive collateral estoppel will not in any way take away the opportunity to enforce *legitimate* rights — *a patentee will be precluded from recovery only if its patent is invalid!* Furthermore, no "stifling" has manifested itself in the five years since *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 11 USPQ2d 1883 (Fed. Cir. 1989) was decided, or in the ten years since *Thompson-Hayward Chemical Co. v. Rohm & Haas Co.*, 745 F.2d 27, 223 USPQ 690 (Fed. Cir. 1984) was decided, even though in both cases collateral estoppel based on a patent invalidity/unenforceability judgment in another case was raised for the *first time* on appeal.

CMI's claim that "under the Federal Circuit's ruling, each succeeding infringement suit would become an all-or-nothing gamble for the patent owner, with the liability rulings in all prior suits at stake" shows a fundamental misunderstanding of the scope of the Federal Circuit's decision. In reality, only rulings in cases *not yet concluded* are at risk; once the patentee obtains a final judgment (ending the litigation), it is secure. The Federal Circuit's ruling is entirely consistent with the well-established

Thompson-Hayward and *Dana* precedents, the latter specifically holding that "the defense of collateral estoppel based on a final judgment of patent invalidity in another suit can 'be timely made at any stage of the affected proceedings.'" 882 F.2d at 507, 11 USPQ2d at 1884; *see also* (Pet. App. at A.14 and n.8). Accordingly, the Federal Circuit here "conclude[d] that appellants' defense of collateral estoppel is not untimely. Each appellant raised the issue during pending litigation at virtually the earliest possible date." (Pet. App. at A.15)

CMI's argument is simply a desperate ostensible patentee's attempt to see how much it can get away with when suing everyone in an industry on an invalid patent. In effect, CMI wishes the law allowed it to stay one step ahead of its invalid patents, rushing to sue everyone to get injunctions before the invalidity of its patents is discovered, and then proceeding to litigate and collect damages *after* its patents have been adjudicated invalid! Unfortunately for CMI, the law and equities are solidly against it. The *overriding* public policy of ensuring that ideas not protected by valid patents be dedicated to the common good disfavors CMI as it did the patent owners in *Lear, Inc. v. Adkins*, 395 U.S. 653, 162 USPQ 1 (1969), and *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971). If a patent is in fact found invalid after full and fair litigation, justice is best served by bringing that invalidity decision to bear in all other pending cases not finally concluded (i.e., in cases in which there is more to do than "execute the judgment." *Catlin v. United States*, 324 U.S. 229, 233 (1945)).

As noted in *Blonder-Tongue*, a "patentee, having been afforded the opportunity to exhaust his remedy of appeal from a holding of invalidity, has had his 'day in court' and should not be allowed to harass others on the basis of an invalid claim." *Blonder-Tongue*, 402 U.S. at 340. Similarly, the Federal Circuit aptly recognized that it would be unjust to continue to enjoin Astec and Barber-Greene from using ***un***patented technology and to extract millions of dollars in tribute from them for the use of ***un***patented technology, particularly where, as here, the jury's holdings of patent invalidity were affirmed by the Federal Circuit and this Court denied review.

B. The Federal Circuit's Decision Is in Perfect Harmony with this Court's Decision in *Blonder-Tongue*

In a desperate attempt to satisfy Rule 10 by creating the appearance of a conflict between the Federal Circuit's ruling and this Court's decision in *Blonder-Tongue*, CMI misrepresents the holding and procedural posture of the precedent. The cases are in perfect harmony, not in conflict.

The issue in *Blonder-Tongue* was whether a *patent owner* should be able to *relitigate* the validity of its patent against subsequent infringers once it has lost on the issue of invalidity. As stated in the *Blonder-Tongue* opinion, "the court reexamined 'whether mutuality of estoppel is a viable rule where a *patentee* seeks to relitigate the validity of a patent once a federal court has declared it to be invalid'" *Blonder-Tongue*, 402 U.S. at 327 (emphasis added). It "depends on the considerations weighing for and against permitting a *patent holder to sue on his patent* after it has

once been held invalid following opportunity for full and fair trial." 402 U.S. at 330 (emphasis added).

CMI's claim that "the Federal Circuit's decision runs counter to *Blonder-Tongue* because it allows defendants like Astec to escape the results of judgments entered against them after full and fair litigation" is way off the mark. Obviously, Astec is an *alleged infringer, not a patent owner,* and is not seeking to escape a judgment of invalidity or to relitigate the validity of a patent previously held invalid. The right to "full and fair litigation" identified in *Blonder-Tongue*, was the right of the *patent owner* to fully and fairly defend validity in the proceedings in which its patent was invalidated, and to exercise this right, before collateral estoppel may be applied against him.

As stated by the panel majority of the Federal Circuit,

> that Astec had a full and fair opportunity to litigate the issue of validity and lost is immaterial to its invoking estoppel on appeal. That was also true in *Dana v. NOK, supra*, where after losing at trial, NOK was given the benefit of collateral estoppel which arose from a decision of this court during its appeal.

(Pet. App. A.23)

> The issue in Astec's appeal (which also controls in *Barber-Greene*) is the viability of a collateral estoppel defense which arose subsequently. As *Thompson Hayward* and *NOK* hold, *collateral estoppel, based on the success of a third party, may*

> *preclude liability despite the failure of an accused infringer to prove invalidity in its own trial.*

(Pet. App. at A.15–16) (footnote omitted) (emphasis added).

What is *dispositive* here is that *CMI* had a full and fair opportunity to litigate in the *Cedarapids* proceedings, in which its patents were found not to meet the congressionally imposed requirements of patentability. There can be no legitimate doubt that CMI's rights were fully exercised despite its defeat. That judgment was affirmed on appeal and review by this Court was denied. (Pet. App. at A.9 n.5) Consistent with the legal principles in *Blonder-Tongue*, CMI has had its day in court, and should not be allowed to collect millions of dollars in damages from Astec and Barber-Greene on patents which should not have issued.

C. Arguments About Timeliness Actually Disfavor CMI

The Federal Circuit fully recognized that CMI's argument boils down to the relative timing of the judgments in the *Astec*, *Barber-Greene* and *Cedarapids* cases. (Pet. App. at A.9) CMI cannot dispute that the other industry defendants whose cases were stayed clearly have available to them the defense of collateral estoppel based on the invalidity judgments in *Cedarapids*. CMI argues, however, that a different result in the *Astec* and *Barber-Greene* cases should obtain because these cases are too far along to apply collateral estoppel and "there will be absolutely no savings in judicial time by the application of collateral estoppel . . . and the one and only result of the application of collateral estoppel is a windfall to Astec and Barber-Greene." (Pet.

Brief at 12) This argument is demonstrably wrong for multiple reasons.

There is no rule of law anywhere which makes the application of collateral estoppel in these cases too late as a matter of law. (Pet. App. at A.14) Moreover, the equities compel that Astec and Barber-Greene not be denied collateral estoppel solely because they did not have the good fortune of their competitors to have their cases stayed. The Federal Circuit realized that it was obligated to prevent injustice while this was still possible and rightly exercised that obligation during pendency of these cases.

The only reason that CMI can raise this issue at all is because CMI's cases against the other industry defendants, including Cedarapids, were *stayed* pending resolution of the *Astec* case. The *Astec* trial resulted in a judgment in favor of CMI on validity, which judgment was affirmed by the Federal Circuit in an interlocutory appeal. The case was remanded for a determination of damages and other issues. *Mendenhall v. Astec Industries, Inc.*, 887 F.2d 1094, 13 USPQ2d 1956 (Fed. Cir. 1989). It was only *after* that liability judgment was entered that the stay of the *Cedarapids* proceedings was *lifted* and that case tried to a jury, resulting in judgments of invalidity. When the *Cedarapids* court entered judgments of invalidity, the *Astec* case was still pending in Tennessee for a determination of damages and other issues. Astec moved at the *earliest possible date* to vacate the previously entered unfavorable liability judgment on the ground that Mendenhall was collaterally estopped from continuing to assert the patents, citing *Blonder-Tongue* and decisions of the Federal Circuit, particularly *Dana* and *Thompson-Hayward*. (Pet. App. at A.15) Simply put, the

defense of collateral estoppel clearly would have been available to *Astec* and *Barber-Greene* had the tables been turned and *their* cases stayed while the *Cedarapids* case proceeded to its ultimately judgment holding the '904 and '905 patents wholly invalid.

As to CMI's argument that collateral estoppel is not applicable because only minimal judicial savings will result, the panel majority succinctly rejected that claim, stating that:

> Further, when the rest of the industry is not impeded by the patents, it seems manifestly *unjust* to rely merely on "judicial economy" as *justification* for holding appellants liable and impairing their ability to compete. Just as in *Lear v. Adkins*, the public policy of full and free competition was deemed paramount over contract principles, 395 U.S. 670, and in *Blonder-Tongue* outweighed the mutuality principles of estoppel, 169 USPQ at 526, that same public policy clearly in our view takes precedence over adherence to law of the case, a matter which rests on discretion.

(Pet. App. at A.22)

Finally, there is no "windfall" to Astec and Barber-Greene. Barber-Greene has persisted, investing the last fourteen years — and Astec the last eight years — to defending against these now invalid patents, and each has spent huge sums in doing so. The only windfall would have been to CMI, had the Federal Circuit not put a stop to CMI's attempt to extract millions from Astec and Barber-Greene on patents that no longer exist.

CMI's citation of *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394 (1981) is inapposite for three reasons. First, the two defendants there made a "deliberate tactical decision" *not* to appeal their cases, which thereby *ended*; in this case, by contrast, Astec *never* gave up, and *immediately* moved for relief on the grounds of collateral estoppel when *Cedarapids* was decided and while damages were under review in the district court. Second, the two plaintiffs in *Moitie* sought to *relitigate* their rights, i.e., they brought *new* suits after they had lost and chosen not to appeal. Astec and Barber-Greene appealed and brought their motion as part of the original case; they seek to relitigate nothing here. Third, *Moitie* did not involve plaintiffs trying to recover damages on invalid patents.

CMI's citations of *Zdanok v. Glidden Co.*, 327 F.2d 944, 955 (2d Cir.), *cert. denied*, 377 U.S. 934, 84 S. Ct. 1338 (1964), and cases cited in 18 Wright, Miller & Cooper, *Federal Practice and Procedure*, §4434, p. 324 (1981), are equally inapposite because those cases involved the question whether one of the parties was entitled to *relitigate* claims or issues in a completely different factual context.

D. Despite CMI's Mischaracterization, the Judgment Appealed From Was Not a "Final Judgment"

CMI engages in a misleading word game throughout its Petition by referring to the district court's and the Federal Circuit's prior judgments on liability as "final judgments." At pages 4–5 of the Petition, CMI incorrectly recites the "facts" giving rise to Astec's 1988 appeal of the district court's liability judgment: "CMI moved for a Rule 54(b) final judgment in *Astec*. Final judgment was granted . . . and

Astec appealed to the Federal Circuit under 28 U.S.C. §1295(a)." (Pet. Brief at 4–5) As discussed above in our statement of the case, the Federal Circuit specifically considered and decisively rejected CMI's version of the facts, noting that Astec's appeal was perfected from the district court's *October 31, 1988 judgment* as modified by the court's December 13, 1988 orders, *not*, as misrepresented by CMI, from the purported Rule 54(b) certification on January 26, 1989, and therefore the district court's belated Rule 54(b) certification of January 26, 1989 "was superfluous, if not void. *See Sears Roebuck & Co. v. Mackey*, 351 U.S. 427, 435 (1936)." (Pet. App. at A.34) As thoroughly weighed and determined by the panel majority, Astec's appeal was interlocutory and was taken as of right under §1292(c)(2) because an accounting had not yet been concluded. (Pet. App. at A.16–18)

CMI again flatly misrepresents facts in the record when it states that Astec "insisted that the judgment be a final judgment . . .." (Pet. Brief at 11) In reality, Astec *vehemently objected* to entry of a Rule 54(b) certification in *Astec*. CMI first made this erroneous factual claim in its petition for rehearing. Astec corrected the record by supplying the Federal Circuit with Astec's briefing in the Tennessee district court in which it correctly and strenuously argued that the judgment could *not* be made final under Rule 54(b) because a district court "cannot, in the exercise of its discretion, treat as 'final' that which is not 'final' within the meaning of §1291. *Sears, Roebuck & Co. v. Mackey*, 351 U.S. at 437 (1956)." This is the same conclusion reached by the panel majority; the Tennessee district court's judgment on liability was clearly interlocutory because there was no

"final decision" ending the litigation, and the Federal Circuit's affirming decree was no more final than the one reviewed. *See Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 89 (1922). (Pet. App. at A.18)

CMI completely ignores a long line of precedents of this Court to the effect that a final judgment is one that "ends the litigation on the merits and leaves nothing for the court to do but execute the judgment." *Catlin v. United States*, 324 U.S. 229, 233 (1945). Consequently, the Tennessee district court's judgment on liability (regardless of whether it was pursuant to Rule 54(b) *vel non*), and the Federal Circuit's affirmance of that liability judgment which resulted in a remand for further proceedings was "not the final judgment in the case." (Pet. App. at A.16) The Supreme Court has made clear time and again that a decision is "not final until the conclusion of the accounting." *Marconi Wireless Co. v. United States*, 320 U.S. 1, 47 (1943). (Pet. App. at A.17)

CMI's reliance at page 12 of its Petition on the language of the "Interlocutory Decisions" statute, 28 U.S.C. §1292, no more supports overturning the Federal Circuit's decision than CMI's other feeble arguments. In fact, it does the opposite. Section 1292(c)(2) exactly describes the state of the *Astec* case when the Tennessee district court's judgment on liability was appealed to the Federal Circuit before damages had been considered. That statute was thoroughly discussed by the panel majority:

> The purpose of §1292(c)(2) is to permit district courts to stay and possibly avoid a burdensome determination of damages. [citation omitted] This provision for interlocutory appeal does not render a

> district court decision on fewer than all issues in the case a "final" decision. As the Supreme Court has noted regarding this statute's predecessor: . . . "the decision was not final until the conclusion of the accounting. *Barnard v. Gibson*, 7 How. 649; *Humiston v. Stainthorp*, 2 Wall. 106; *Simmons Co. v. Grier Bros. Co.*, *supra*, 89. Hence the court did not lack power at any time prior to entry of its final judgment at the close of the accounting to reconsider any portion of its decision and reopen any part of the case." *Marconi Wireless Co. v. United States*, 320 U.S. 1, 47 (1943).

(Pet. App. at A.17) CMI's wordgames to the contrary, the "final judgment" in this case will be entered only upon denial of CMI's Petition. Until then, these proceedings remain interlocutory and the Federal Circuit's reasoned conclusion that justice requires that collateral estoppel be available to Astec and Barber-Greene must stand.

CONCLUSION

For the reasons set forth above, Respondents respectfully request that the Petition be denied forthwith.

Respectfully submitted,

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